Central Bank of Egypt

Press Release
April 23, 2015

In its meeting held on April 23, 2015, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate, overnight lending rate, and the rate of the CBE's main operation unchanged at 8.75 percent, 9.75 percent, and 9.25 percent, respectively. The discount rate was also kept unchanged at 9.25 percent.

Headline CPI increased by 1.55 percent (m/m) in March compared to an increase of 1.86 percent in February, while the annual rate increased to 11.51 percent in March from 10.56 percent in February. The bulk of the monthly developments was driven by the upward adjustments in administered prices, particularly tobacco, in addition to supply bottlenecks related to the distribution of butane cylinders. This was coupled with increases in the prices of volatile food items. On the other hand, core CPI increased by 0.76 percent in March compared to 1.10 percent in February, while the annual rate inched up to 7.21 percent in March after registering 7.15 percent in February. Consequently, upward adjustments in administered prices and increases in the prices of volatile food items have recently widened the divergence between the headline and core inflation rates. Upside risks on the inflation outlook from domestic supply shocks are largely mitigated by contained imported inflation, against the background of lower oil prices and the consequent revision in international food price forecasts.

Meanwhile, real GDP grew by 4.3 percent (y/y) in 2014/15 Q2 to record 5.6 percent (y/y) in the first half of the fiscal year, supported by the record growth witnessed in the first quarter. This comes after the 2013/14 fiscal year real GDP growth recorded 2.2 percent (y/y). The expansion in economic activity during 2014/2015 Q2 came on the back of the continued growth in the manufacturing sector and the expansion of tourism activities for the second consecutive quarter after several quarters of contraction. This came despite the continuous weakness in the extraction sector. In the meantime, while the widening trade deficit is stalling real GDP growth, investment remained positive for the fourth consecutive quarter. Looking ahead, while investments in domestic mega projects such as the Suez Canal are expected to contribute to economic growth, the downside risks that surround the global recovery on the back of challenges facing the Euro Area and the softening growth in emerging markets could pose downside risks to domestic GDP.

At this juncture, the MPC judges that the key CBE rates are currently appropriate given the balance of risks surrounding the inflation and GDP outlooks.

The MPC will continue to closely monitor all economic developments and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

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